



# CALIFORNIA EMPLOYER

Fourth Quarter 2005

## Furnish employees with Form W-2 by Jan. 31, 2006

As an employer, you are required to file a federal *Wage and Tax Statement* (Form W-2) for each of your employees. Form W-2 provides information to employees, the Social Security Administration, the Internal Revenue Service and state and local governments. Boxes 15 through 20 are used to report state and local income tax information. California Personal Income Tax (PIT) wages, and the PIT and State Disability Insurance (SDI) withholdings are reported in the following Form W-2 boxes:

- **Box 15** (Employer state ID number) Enter your EDD employer account number.

- **Box 16** (State wages, tips, etc.) Enter California PIT wages.

- **Box 17** (State income tax) Enter California PIT withheld.

- **Box 19** (Local income tax. If Box 19 has local taxes, use "Box 14-Other.") Enter the abbreviation "CASDI" and the amount of California SDI withheld. (Note: if the wages were not subject to SDI, show "CASDI 0" (zero). If your employees are covered under an authorized Voluntary DI plan, enter "VPDI" and the VPDI amount withheld.)

For more information on Form W-2 re-

porting requirements or instructions on completing Form W-2, refer to IRS publications *Employer's Tax Guide* (Publication 15, Circular E) and *2005 Instructions for Forms W-2 and W-3*. To obtain these publications, call the IRS at 1-800-829-3676 or access IRS' Web site at [www.irs.gov](http://www.irs.gov).

For more information on completing the "State" information on Form W-2, please refer to your *California Employer's Guide* (DE 44) or contact us at 1-888-745-3886. If the employee performs services in more than one state, contact the other state(s) for guidance on how to complete the Form W-2 for that state.

## Deposit requirements for 2006

Although deposits of Unemployment Insurance (UI) tax and Employment Training Tax (ETT) are due quarterly, State Disability Insurance (SDI) and California Personal Income Tax (PIT) withheld from your employees' wages may need to be deposited more often. The California deposit requirements for SDI and PIT withholding are generally based on your federal deposit schedule/requirement for Social Security, Medicare, and federal income tax withholding. For more information and special situations concerning deposit rules and frequencies, refer to the *California Employer's Guide* (DE 44), visit our website at [www.edd.ca.gov](http://www.edd.ca.gov), or call 1-888-745-3886.

2006 California SDI and PIT Deposit Requirements			
<i>Shaded portions of the second and fourth columns represent changes from 2005.</i>			
If Your Federal Deposit Schedule/ Requirement Is	And You Have Accumulated State PIT Withholding Of	If Payday Is	Deposit Due By
Next Banking Day	Less than \$350	Any day	Quarterly
	\$350 to \$500	Any day	15th of the following month
	More than \$500	Any day	Next Banking Day
Semiweekly	Less than \$350	Any day	Quarterly
	\$350 to \$500	Any day	15th of the following month
	More than \$500	Wed., Thurs., or Fri.	Following Wednesday
	More than \$500	Sat., Sun., Mon., or Tues.	Following Friday
Monthly	Less than \$350	Any day	Quarterly
	\$350 or more	Any day	15th of the following month
Quarterly	Less than \$350	Any day	May 1, July 31, October 31, 2006, January 31, 2007
	\$350 or more	Any day	15th of following month

## Tips for a trouble-free annual reconciliation

Follow these tips to avoid time-consuming and costly mistakes.

✓ Double check the amounts reported on your:

- *Quarterly Wage and Withholding Report* (DE 6)
- *Annual Reconciliation Statement* (DE 7)
- *IRS Employer's Annual Federal Unemployment (FUTA) Tax Return* (Form 940/940EZ)
- *Wage and Tax Statements* (Forms W-2)

✓ Use the table below to reconcile your annual "Total Subject Wages," "UI Taxable Wages," "PIT Wages," and "PIT Withheld."

✓ Complete a *Payroll Tax Deposit* (DE 88) coupon for taxes

owed. Complete the pay date, deposit schedule and quarter covered. Failure to complete these items may result in your payment being posted to the wrong quarter and/or year. Verify the due dates for 2005 deposits. When reconciling the DE 7, verify that deposits made for 2004 and 2006 are not included.

For more information on Total Subject Wages and PIT Wages, view the *Information Sheet: PIT Wages Reported on the Quarterly Wage and Withholding Report* (DE 231PIT) from our website at [www.edd.ca.gov/taxrep/taxform.htm](http://www.edd.ca.gov/taxrep/taxform.htm). To request a *Tax and Wage Adjustments Form* (DE 678), access our website at [www.edd.ca.gov/taxrep/taxform.htm](http://www.edd.ca.gov/taxrep/taxform.htm). For information on annual reconciliation or underpayments, call us at 1-888-745-3886.

Annual Reconciliation	All Items Within Each Box Below Should Agree*
Total Subject Wages	<ul style="list-style-type: none"> <li>• Earnings/payroll records</li> <li>• DE 6s (Item M) - all 4 quarters</li> <li>• DE 7 (Item C)</li> </ul>
UI Taxable Wages	<ul style="list-style-type: none"> <li>• DE 7 (Item D2)</li> <li>• IRS Form 940/940EZ (Line 5)</li> </ul> <p><i>Note: The DE 7 "UI Subject Wages" may be different than the Form 940/940EZ "Total Taxable Wages" if you have exempt employees.</i></p>
PIT Wages	<ul style="list-style-type: none"> <li>• Earnings/payroll records</li> <li>• DE 6s (Item N) - all 4 quarters</li> <li>• Forms W-2 (Box 16)</li> </ul>
PIT Withheld	<ul style="list-style-type: none"> <li>• Earnings/payroll records</li> <li>• DE 6s (Item O) - all 4 quarters</li> <li>• DE 7 (Item G)</li> <li>• Forms W-2 (Box 17) plus Forms 1099R (Box 10)</li> </ul>
* If amounts do not agree, find the error and correct all forms with incorrect amounts. If an error was made on a previously filed DE 6, complete a DE 678 to correct the quarter with the error.	

### Should employee file DE 4 or W-4 form?

An Internal Revenue Service (IRS) *Employee's Withholding Allowance Certificate* (Form W-4) is normally used for California PIT withholding. If an employee wants to claim a different marital status and/or a different number of allowances than claimed for federal withholding purposes, the employee should file an *Employee's Withholding Allowance Certificate* (DE 4).

If an employee provides you with a DE 4, you must use it to determine his/her California PIT withholding.

In addition, if your employees want to claim exempt from federal and California PIT withholding, they should claim the exemption on Form W-4.

Since the exempt status expires on February 15 each year, each employee must complete a new Form W-4 by February 15 to remain exempt. If an employee does not sign a new Form W-4, you are required to change the employee's California withholding status to "single" with zero (0) withholding allowances and begin withholding California PIT.

For more information or to request Form DE 71 (*Employer's Obligations for Form W-4 or DE 4*), call 1-888-745-3886, visit our website, [www.edd.ca.gov/taxrep/taxform.htm#publications](http://www.edd.ca.gov/taxrep/taxform.htm#publications) or access our Fax-on-Demand at 1-877-547-4503.

### Watch mail for 2006 tax rate information

You will receive your *Notice of Contribution Rates and Statement of Unemployment Insurance (UI) Reserve Account* (DE2088) for calendar year 2006 by December 31, 2005. This notice includes your 2006 tax rates and your reserve account activity.

Please carefully review the items on your notice. For an explanation of the notice and your protest rights, refer to the enclosed *Explanation of the Notice of Contribution Rates and Statement of UI Reserve Account* (DE2088C) that is provided with the notice.

The UI taxable wage limit for 2006 is \$7000 per employee, per year.

The DE2088 notice will state if you are subject to Employment Training Tax (ETT). The 2006 ETT rate will remain at 0.1 percent (.001). The ETT taxable wage limit for 2006 is \$7000 per employee per year.

For more information on your rates please call us at (916) 653-7795. To expedite your call, please have your DE2088 and your employer account number available.

## California's State Disbursement Unit

California's Department of Child Support Services (DCSS) will very shortly implement its statewide child support system, the California Child Support Automation System (CCSAS). One of the major components of CCSAS is the State Disbursement Unit (SDU).

All state child support enforcement agencies are required to have an SDU for the collection and disbursement of child support. The SDU will handle payments for all orders enforced by the local child support agencies, plus all private child support cases that have a wage withholding order and in which employers send the payment directly to the obligee.

### What does the SDU mean to Employers?

The SDU will simplify employers' remittance of wage withheld support payments. With full implementation of the SDU, employers will be able to send the support payments withheld from employ-

ees' wages to the centralized location. The SDU will offer new payment options.

The SDU will make it easier for employers, especially those with employees all over the state, to submit wage withheld support payments.

- Employers will no longer have to send checks to multiple localities in the state (i.e. a number of different county child support enforcement agencies or obligees.)
- Multiple payments can be sent to the SDU together in a single payment, if accompanied with identifying information, thus reducing postage and administrative processing costs.
- Employers may pay electronically using the NACHA standard format or through the SDU website. This will be faster and more efficient than mailing paper checks.
- Centralizing the receipt of payments at

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### Coming Soon: Pay Payroll Tax Deposit By Credit Card

You soon will be able to pay your Payroll Tax Deposit (DE 88) by credit card. Use your American Express, Discover/Novus, MasterCard, or Visa to pay through a touch-tone telephone or secure website.

Official Payments Corporation, the credit card processing vendor, provides a quick, convenient, and safe way to make your deposits for a fee based on the amount of your tax payment. Your deposits are effective on the date of your credit card transaction.

Certain restrictions apply, so for more information on this payment option, visit our website at [www.edd.ca.gov](http://www.edd.ca.gov) or call us at 1-888-745-3886.

## Make note of these legal holidays for 2006

To ensure the timeliness of your 2006 tax payments and reports, please refer to the chart below. If a payment or report due date falls on a Saturday, Sunday, or legal holiday, the due date is extended to the next business day. For specific payroll tax deposit

or report requirements, refer to the *California Employer's Guide* (DE 44) and the *EFT Information Guide* (DE 27). To obtain a guide or for more information, call 1-888-745-3886 or visit our website at [www.edd.ca.gov/taxrep/taxform.htm#publications](http://www.edd.ca.gov/taxrep/taxform.htm#publications).

Legal Holiday	Day Holiday Observed	Next Business Day for Deposits or Reports
New Year's Day 2006	Monday, January 2, 2006	January 3, 2006 (Tuesday)
Martin Luther King Jr. Day	Monday, January 16	January 17 (Tuesday)
Lincoln's Birthday	Monday, February 13	February 14 (Tuesday)
Presidents' Day	Monday, February 20	February 21 (Tuesday)
Cesar Chavez Day	Friday, March 31	April 3 (Monday)
Good Friday	Friday, April 14*	April 17 (Monday)
Memorial Day	Monday, May 29	May 30 (Tuesday)
Independence Day	Tuesday, July 4	July 5 (Wednesday)
Labor Day	Monday, September 4	September 5 (Tuesday)
Calif. Admission Day	Friday, September 8*	September 11 (Monday)
Columbus Day	Monday, October 9	October 10 (Tuesday)
Veterans Day	Friday, November 10	November 13 (Monday)
Thanksgiving Day & day after	Thursday & Friday, November 23 & 24	November 27 (Monday)
Christmas Day	Monday, December 25	December 26 (Tuesday)
New Year's Day 2007	Monday, January 1, 2007	January 2, 2007 (Tuesday)

\* EDD offices are open on this legal holiday.

## Annual interest rate will be 6 percent

For the period January 1 through June 30, 2006, the annual interest rate will be 6 percent (0.06), compounded daily. The daily interest factor will be .000164. Interest is charged on all delinquent taxes, interest and penalties.

If you have any questions about the annual interest rate, please call us at 1-888-745-3886.

## California's State Disbursement Unit

*Continued from Page 3*

the SDU provides a record of payments should the employee question whether the employer is complying with the wage withholding order.

**Note:** Employers may still have to send multiple checks to SDUs that are in different states, if the employer has employees who work in different states around the country or if the employer has received wage withholding orders from other states.

One of the most noticeable changes that will occur when the SDU is fully implemented is that employers will no longer send wage withheld support payments directly to recipients. In order to make the transition smooth, the SDU service provider will be contacting employers to gather information about these wage withholding support payments.

The SDU will provide several options that support the ability to make payments electronically. The SDU will offer employers an SDU Electronic Help Desk for assistance in making payments using one of the electronic payment options.

## Redirection

Starting in June 2006, employers will be required to send support payments directly to the SDU. To educate employers about redirection, an information packet will be sent to address the requirements of the redirection process. This information will include instructions on when and how to redirect existing child support payments and submit new payments through the SDU.

The SDU is an integral part of DCSS' efforts to streamline child support payments. All of this is good news for employers and payroll professionals, as they'll be able to

## Taxable values of meals and lodging for 2006

Meals and/or lodging that you provide to your employees should be treated as wages for Unemployment Insurance, Employment Training Tax, and State Disability Insurance.

Meals are subject to California Personal Income Tax (PIT) withholding unless the meal is furnished to your employees on your business premises and it is for your convenience. Lodging is also subject to PIT withholding unless it is furnished for your convenience and the employee is required to accept lodging on your business premises as a condition of employment.

Each year, the values of meals and lodging are adjusted based on the cost-of-living indexes. Use the values shown below for 2006. These values do not apply where higher values of meals and lodging are stipulated in a union agreement or contract of hire, or are required for compliance with minimum wage laws. For more information, visit [www.edd.ca.gov](http://www.edd.ca.gov) or call 1-888-745-3886.

### Employees\*

Meals	Value
Breakfast	\$2.00
Lunch	\$2.80
Dinner	\$4.35
3 meals per day	\$9.15
A meal not identified as either breakfast, lunch, or dinner	\$3.20

### Lodging Value

Value is set at 66-2/3 percent of the ordinary rental value to the public, but not in excess of \$1,000.00 per month or less than \$32.45 per week.

### Maritime Employees

Licensed Personnel	Value
Meals	\$ 9.15
Quarters	\$ 6.75
Total per day	\$15.90

### Unlicensed Personnel

Meals	\$ 9.15
Quarters	\$ 4.60
Total per day	\$13.75

### Fishermen

Lodging value is \$32.45 per week and \$4.64 per day for periods of less than a week.

\* *The values of maritime employees' meals and lodging are different than those of all other employees. Lodging values for maritime employees apply only when the facilities meet specific minimum standards.*

better manage child support garnishments using a modern and centralized state system.

## Employer Support

Employers play a vital role in helping to ensure the financial security of millions of our nation's children. More than 75 percent of all monies collected on behalf of America's children is collected by employers through income withholding. During this transition it is particularly important to forward withheld child support payments in a timely fashion as child support payments are credited based on the date they are received at the SDU. The DCSS looks forward to working with employers to implement the SDU to streamline the processing of child support payments.

For additional information, access [www.casdu.com](http://www.casdu.com) website (starting in November 2005) for answers to Frequently Asked Questions.

## CALIFORNIA EMPLOYER



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The EDD is a recipient of federal and state funds, is an equal opportunity employer/program, and is in compliance with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. To request alternate formats, call (916) 654-9029.

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